

**REPORT OF THE AUDIT OF THE
BULLITT COUNTY
CLERK**

**For The Year Ended
December 31, 2014**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT OF THE
BULLITT COUNTY CLERK

For The Year Ended
December 31, 2014

The Auditor of Public Accounts has completed the Bullitt County Clerk's audit for the year ended December 31, 2014. Based upon the audit work performed, the financial statements present fairly in all material respects, the receipts and disbursements of the County Clerk and the receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Bullitt County Clerk had total receipts of \$15,507,831, which was a \$163,180 decrease from the prior year. Except for reimbursed expenses in the amount of \$240,534 and fiscal court contributions of \$161,665, the Clerk paid 25% of receipts to the Bullitt County Fiscal Court in the amount of \$424,552. This was a decrease of \$13,014 from the prior year. In addition, 75% fund operating disbursements decreased by \$8,933.

Debt Obligations:

Lease principal agreements totaled \$78,174 as of December 31, 2014. Future principal and interest payments of \$78,174 are needed to meet these obligations.

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Melanie J. Roberts, Bullitt County Judge/Executive
Honorable Kevin Mooney, Bullitt County Clerk
Members of the Bullitt County Fiscal Court

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the County Clerk of Bullitt County, Kentucky, the Statement of Receipts, Disbursements, and Fund Balances of the County Clerk's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Melanie J. Roberts, Bullitt County Judge/Executive
Honorable Kevin Mooney, Bullitt County Clerk
Members of the Bullitt County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County Clerk, as of December 31, 2014, or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the Clerk and the receipts, disbursements, and fund balances of the Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2014, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 14, 2015 on our consideration of the Bullitt County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bullitt County Clerk's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

September 14, 2015

BULLITT COUNTY
KEVIN MOONEY, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2014

Receipts

State Fees For Services	\$	22,639
Fiscal Court		161,665

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 2,242,303	
Usage Tax	4,515,815	
Tangible Personal Property Tax	6,569,138	
Notary Fees	21,820	
Lien Release Fees	49,588	

Other-

Marriage Licenses	17,963	
Beer and Liquor Licenses	980	
Deed Transfer Tax	256,298	
Delinquent Tax	1,029,034	
Miscellaneous Income	50,510	14,753,449

Fees Collected for Services:

Recordings-

Bail Bonds	1,606	
Deeds, Easements and Contracts	32,923	
Leases	458	
Liens & Lis Pendens	20,184	
Releases	31,260	
Real Estate Mortgages	126,635	
Chattel Mortgages and Financing Statements	184,219	
Powers of Attorney	6,255	
Affordable Housing Trust	73,998	
Wills & Estate Settlements, & Accommodations	1,751	
All Other Recordings	15,653	

Charges for Other Services-

Candidate Filing Fees	4,730	
Copywork	22,860	
Postage	21,963	544,495

Other:

Refunds/Overpayments	13,744	
Miscellaneous	146	13,890

Interest Earned		11,693
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Total Receipts		15,507,831
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The accompanying notes are an integral part of the financial statements.

BULLITT COUNTY
 KEVIN MOONEY, COUNTY CLERK
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
 For The Year Ended December 31, 2014
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 1,509,216

Usage Tax 4,379,759

Tangible Personal Property Tax 2,389,769

Licenses, Taxes, and Fees-

Delinquent Tax 95,263

Legal Process Tax 62,076

Affordable Housing Trust 73,998 \$ 8,510,081

Payments to Fiscal Court:

Tangible Personal Property Tax 698,720

Delinquent Tax 73,396

Deed Transfer Tax 243,483

Miscellaneous 855 1,016,454

Payments to Other Districts:

Tangible Personal Property Tax 3,221,040

Delinquent Tax 556,810 3,777,850

Payments to Sheriff 82,599

Payments to County Attorney 138,728

Other Disbursements:

Overpayments/Refunds 24,793

Bank & Credit Card Service Charges 18,585 43,378

Total Disbursements \$ 13,569,090

BULLITT COUNTY
KEVIN MOONEY, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
For The Year Ended December 31, 2014
(Continued)

Net Receipts		\$	1,938,741
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Payments to State Treasurer:

75% Operating Fund *	\$	1,514,189	
25% County Fund		<u>424,552</u>	<u>1,938,741</u>

Balance Due at Completion of Audit		<u>\$</u>	<u>0</u>
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* Includes reimbursed expenses in the amount of \$240,534 for the audit period.
See Note 1 of Notes to Financial Statements.

BULLITT COUNTY
 KEVIN MOONEY, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2014

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2014	\$ (4,011)	\$	\$ (4,011)
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,514,189		1,514,189
Fees Paid to State - County Funds (25%)		424,552	424,552
Total Funds Available	1,510,178	424,552	1,934,730
<u>Disbursements</u>			
Bullitt County Fiscal Court	64,026	424,552	488,578
Personnel Services-			
Official's Statutory Maximum	105,596		105,596
Official's Expense Allowance	3,600		3,600
Official's Training Incentive	3,910		3,910
Deputies' Salaries	781,693		781,693
Overtime Gross	5,889		5,889
Employee Benefits-			
Employer's Share Social Security	62,943		62,943
Employer's Share Retirement	162,510		162,510
Employer's Share Health Insurance	201,598		201,598
Contracted Services-			
Professional Services	12,360		12,360
Web Host	1,449		1,449
Microfilming & Indexing Records	23,950		23,950
Office Equipment & Agreements	21,016		21,016

The accompanying notes are an integral part of the financial statements.

BULLITT COUNTY
 KEVIN MOONEY, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2014
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Disbursements</u>			
Supplies and Materials-			
Office Supplies	\$ 33,327	\$	\$ 33,327
Other Charges-			
Postage	15,496		15,496
Clerk's Insurance & Bonds	1,216		1,216
Miscellaneous Clerk Office Expenses	4,366		4,366
Election Expense	939		939
Dues, Memberships & Travel	4,294		4,294
Total Disbursements	<u>1,510,178</u>	<u>424,552</u>	<u>1,934,730</u>
Fund Balance - December 31, 2014	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

BULLITT COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2014 services
- Reimbursements for 2014 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2014

The Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as receipts in the 75 percent fund.

BULLITT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent for the first six months and 17.67 percent for the last six months.

The County Clerk's contribution for calendar year 2012 was \$179,369, calendar year 2013 was \$174,717, and calendar year 2014 was \$201,598.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

BULLITT COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2014
 (Continued)

Note 2. Employee Retirement System (Continued)

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BULLITT COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2014
 (Continued)

Note 4. Leases

Commitments to the following lease agreements as of December 31, 2014 were:

Item Purchased	Monthly Payment	Term of Agreement	Ending Date	Principal Balance December 31, 2014
Hardware/Software	\$ 2,395	48 Months	2/28/2017	\$ 68,340
Postage Machine	447	48 Months	10/29/2016	9,834

Note 5. Delinquent Tax Account

The County Clerk maintains an account to account for delinquent tax sale deposits and refunds. The account had a beginning balance of \$767, receipts of \$1,851,737 and disbursements of \$1,852,504 during 2014, leaving a balance of \$0 at December 31, 2014.

Note 6. Escrow Account

The County Clerk maintains an escrow account to account for old outstanding checks. The account had a beginning balance of \$1,019, receipts of \$1,138 and disbursements of \$4 during 2014, leaving a balance of \$2,153 at December 31, 2014.

Note 7. Delinquent Tax Escrow Account

The County Clerk maintains an escrow account to account for old outstanding delinquent tax checks. The account had a beginning balance of \$0, receipts of \$776 and disbursements of \$0 during 2014, leaving a balance of \$776 at December 31, 2014.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Melanie J. Roberts, Bullitt County Judge/Executive
The Honorable Kevin Mooney, Bullitt County Clerk
Members of the Bullitt County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements - regulatory basis of the Bullitt County Clerk for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2015. The County Clerk's financial statements are prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bullitt County Clerk's internal control over financial reporting to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bullitt County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bullitt County Clerk's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

September 14, 2015

